

## Shell Money vs. Federal Reserve Notes

A Message for the A. B. A.

The Convention of the American Bankers' Association at the Commodore Hotel will add one more chapter to the long and honorable history of conservative banking in this country. It is indeed fitting that it should be held in New York City, for nowhere else in the world has there been a more astounding development than on the Island of Manhattan since the year 1626.

A constant record of progress in money and banking is interlined in every page of New York's history. Incredible as it may seem, the first medium of exchange in old New Amsterdam was a variety of shell money, and the first financial problem which presented itself to the sturdy Dutch burghers was the spurious coinage of an unlimited supply of shells by a shrewd group of Yankees, resulting in a mysterious rise in prices of commodities.

The finances of the Continental Congress were seriously embarrassed during the Revolution through the capture and retention of New York City by Lord Howe, but with the withdrawal of English troops in 1783 there began a rapid banking growth. The genius of early American finance, Alexander Hamilton, was a citizen of the metropolis. At a later period the glaring defects of our currency system were exemplified in the lack of banking supervision, with over-issue of banknotes inadequately secured, resulting in great financial disturbances; the lessons of shell money inflation had never been fully learned.

The passage of the National Banking Act inaugurated the succession of sound legislative provisions which have raised banking to its present high standard and have culminated in the Federal Reserve System. Never before in the world's history has the scientific use of money and credit more ably supplemented the development of the world's trade.

Paralleling the upward march of banking has been the steady advance of sound investment methods. In contrast with the days when stock promotion offered unlimited opportunities for dishonest enterprise, it is becoming increasingly difficult from year to year for the purveyors of unsound securities to engage in business. The modern investment house, of which New York City has many fine examples, is a scientific organization for the selection of high-grade offerings, protected by every conservative restriction dictated by forethought and experience.

W. A. Harriman & Co., Inc., will be pleased to welcome those members of the American Bankers' Association who may desire to avail themselves of its facilities.

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	5% Due Jan. & July, 1926-1936	4.15%
NJ	City of Englewood, N. J.	
	5% Due April 1, 1930-1947	4.15%
NJ	State of North Carolina	
	4½% Due July 1, 1933-1951	4.25%
	City of Chattanooga, Tenn.	
	5% Due May 1, 1927-1932	4.40%
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## BANKERS SEE GOOD BUSINESS, NOT BOOM

Visitors Say Constructive  
Influences Presage  
Prosperity.

### WARNINGS ARE ISSUED

Carelessness and Selfishness  
Seen as Dangers in  
Periods Ahead.

### MADAMS CONSERVATIVE

Lessons of Depression Should  
Be Heeded in Forward  
Swing, It Is Said.

That there is good business ahead for this country, but no boom, sums up the opinions of bankers assembling here for the forty-eighth annual convention of the American Bankers Association. Following are the statements of several bankers from various Federal Reserve cities in widely separated sections of the country:

J. A. House, president of the Guardian Savings and Trust Company, Cleveland—“I feel much assured as to the prospects of business during the coming year with certain reservations. Undoubtedly there is further liquidation to take place, especially with reference to labor costs and material prices. I believe that the demand of the country for the next year is such that these adjustments will have to be deferred. We have probably passed through our first flat spot in business following the war and will experience an active market at substantially present price for possibly two years.”

Fred H. Goff, president of the Cleveland Trust Company—“It now seems probable that general business will continue to improve for a number of months to come unless some unforeseen contingency arises to prevent. We are in a period of low interest rates, rising security markets, advancing commodity prices and wage increase. Such combinations of constructive influences characterize the recoveries of business that follow such serious depressions as that through which the country has just passed. They have never in the past lasted very long, and it is not to be expected that this recovery will continue into the indefinite future. It has already been actively under way for more than a year, and it may be somewhat confidently expected that it will continue to impart strength and activity to business and industry for several months more. It is a time of opportunity and a time for thrift.”

#### Financial Position Sound.

Thomas B. McAdams, vice-president Merchants National Bank, Richmond, Va., and president of the American Bankers Association:

America is blessed with a bountiful harvest. New wealth and an immense food supply have been produced. Fundamentally we are in a sound financial position and can look forward to increasing prosperity in commerce and industry, provided carelessness and selfishness are not allowed to undermine the stability of our citizenship. Oliver J. Sands, president American National Bank, Richmond, and chairman special committee on taxation American Bankers Association: “The improved demand for lumber and other products will bring much needed relief to a section which has suffered keenly from depression for the last two years. Cotton mills are fairly prosperous, with the outlook good. There is a general feeling of confidence and were it not for the fact that even the most that destroy incentive this section could look forward to much new development in the immediate future.”

M. A. Taylor, president First Trust and Savings Bank, Chicago, and chairman Economic Policy Commission, American Bankers Association: “The cloud on the horizon is still the foreign situation. There also time will do much, but the process of convalescence could be much hastened if our people awoke to a realization of the need of assistance on our part to the countries weakened by the war.”

#### Calls Outlook Good.

F. O. Watts, president First National Bank, St. Louis, and former president the American Bankers Association: “Fundamental business and banking conditions in most respects afford a substantial basis for believing that the United States can look forward to a period of good business. While nothing approximating a boom is promised, yet the liquidation has proceeded so satisfactorily and the credit position of our banks is so strong that even the railway and coal strikes, wasteful as they were, become a minor influence.”

E. F. Swinney, president First National Bank, Kansas City, and former president American Bankers Association:

“We believe that much progress has been made during the four years since the signing of the armistice, and that we are much better off than a year or two ago, but we do not look for real prosperity in our district until our farmers are able to buy more of the things they need with the proceeds of grain and cattle produced or become accustomed to getting along with less.”

J. W. Hoopes, vice-president Central State Bank, Dallas: “The business situation so far as attaches to the trade territory of Dallas is in our opinion very much improved. The general feeling of better nature prevails; merchants are buying carefully but in considerably increased amounts.”

Robert F. Maddox, President Atlanta National Bank, Atlanta, and former President American Bankers Association—“The South is rapidly recovering from the recent depression. While the cotton crop is not much larger than last year owing to the low cost of its production and the increase in price the South's paying and buying power has been much improved.”

John G. Lonsdale, President National Bank of Commerce, St. Louis, and President National Bank Division American Bankers Association—“With agricultural output adding over \$1,200,000,000 to the purchasing power of the country in 1921 and with industrial production gradually but surely on the increase the country has only to remember and observe its lessons of the depression to continue in this forward swing.”

### Globe National Bank to Have Negro Directors

A BANK to accord financial recognition to the negro by having its affairs administered by a colored board of directors is to be opened for business soon in New York with Henry M. Black, a broker of 55 Broadway, as a member of the board of directors. The new institution, in Seventh avenue, near 125th street, will be known as the Globe National Bank.

## BANK CONVENTION MEETS HERE TO-DAY

Continued from First Page.

on record against it if proper resolutions were adopted.

Louis E. Dehendorf, of St. Louis, said that 95 per cent. of the bankers of the country were opposed to branch banking and its further extension. One delegate was cheered when he said that this was no time for any “branch banking resolutions” and that if branch banking continued to grow the finances of the country would be entirely in the hands of a few Wall Street banks and the few men who control them.

Vernon R. Loucks of the Chicago bar delivered an address entitled “An Argument Against Branch Banking.” He said:

“We have to-day the best banking system that has yet been developed. We have less reason to discard it for the branch banking system now than ever before. Our banking power is the greatest known. We have more independent and resourceful banking brains, extensively located at points of commercial advantage throughout the country, than any other nation. Banking resources are more available to the average citizen than to the people of any other country. Prosperity is more universally diffused than in any other government. Let us not at this most fateful hour discard so vital a factor in the prosperity and greatness of our nation.”

“Let us consider some of the evils that arise from branch banking.”

“First, it destroys the interest which each community takes in its own institutions.”

“Second, the branch banking system takes away the benefit of having a bank under control to build up local industries. Local officers and directors understand the needs of a community more intimately and can act with greater promptness than an agent or a non-resident board of directors. Hence interest prompts the local board of directors to take care of local industries first. Actual and daily contact with the various borrowers and thorough knowledge of the needs of the community make the local board and officers competent to exercise judgment. They can afford to take chances in the matter of new enterprises that a long distance board of directors would not be justified in taking.”

“Third, branch banking causes a great economic waste.”

“Fourth, branch banking is monopolistic and would ultimately destroy the independent bank system. The branch bank is a formidable competitor for one reason, because it does not have to pay taxes upon its capital stock in the province or county where the bank is located. No capital stock taxes are paid except by the parent bank at the home office. Furthermore, the large bank is in a position to say to the small one: ‘Sell out to us or we will open a branch across the street and with our imposing list of directors and large statement of resources we will attract the savings deposits of the profitable trade—and drive you out of business.’”

“It has frequently been stated that the branch banks of the country with a few large institutions will lessen the danger of panics. But how utterly unreasonable and contrary to our own experience that statement is! Have any of you ever heard of a panic occasioned by the failure of a small country bank? It is the failure of large institutions with their varied interests scattered throughout the country that causes widespread disaster and calamity.”

“Branch banking does not prevent bank failures. In the last eighteen years six of thirty-five banks in Canada have failed, and two were big banks with many branches. The Ontario Bank of Canada had twenty-four branches and the Sovereign Bank of Canada had forty-three.”

“Thousands of great industrial enterprises of to-day have grown from small beginnings. Years ago some man of ability needed money to start or to develop his business. Had he submitted his financial statement through a branch manager to a distant bank it would scarcely have been considered.”

“If some banker in his own town knew him personally. He knew him, not as a man of means, but as a man of force, ability and character. Approved banking security was impossible, but he had confidence in the man and trusted him. The result was the growth of an industry, the employment of labor, the success of a business man and the development of a community.”

“Every broad gauged constructive banker has had just such experiences in his own business life. He has caused ‘blades of grass to grow where none grew before.’ He has been a great constructive force in the community. Thousands of factories and industrial enterprises are scattered all over our country to-day as monuments to the vital part he has played in the economic development of the nation.”

The following resolution was adopted at the meeting:

“Resolved, by the representatives of banks here present that we view with alarm the increase in the number of branch banks in the United States and the growing tendency toward legalizing and permitting branch banking; and we do so to express our disapproval of and opposition to branch banking in any form or nature; and

“Resolved, that we regard the branch banking system as detrimental to the best interests of both the banks and the people of the United States and as tending to concentrate the power of money in the hands of a few centralized interests; and

“Resolved, that a committee be appointed to prepare a resolution in accord with the above stated resolutions for presentation before the American Bankers Association to combat the growing of additional branch banks or offices.”

R. S. Hecht, president of the Hibernia Bank and Trust Company, New Orleans, and president of the State Bank Division of the American Bankers Association, asserted that if the foregoing resolution be presented it would split the American Bankers Association into two parties.

The following steering committee and committee on resolutions was appointed: L. N. Powell, chairman; Sam B. Jeffries, Roy O. West, William B. Gross, A. W. Tremain, A. J. Frame, Vernon Pollock, Frank J. Couse, Frank T. Hodgson, W. J. Rathje, A. R. Emmerson, John E. Wagner and Vernon Loucks. The committee was made to round up all the votes possible in the American Bankers Association. The committee will make an attempt to have discussion of branch banking in the program of the convention on Tuesday.

### To Convention Delegates

OUR Uptown Office, at Fifth Avenue and Forty-fourth Street, is close to Convention Headquarters, and has made special preparations for your service.

Our Main Office at 140 Broadway, in the financial district, will also be prepared to serve you. Its complete facilities will be at your command, and our officers there will be pleased to assist you.

We cordially invite you to visit our offices and to use our services—for yourself or your bank.



OUR MAIN OFFICE

## The American Bankers Association

### A Record of Achievement

SEVERAL thousand bankers from every section of the country are now convened in New York to consider questions of vital importance.

The American Bankers Association was born in this city, forty-seven years ago, at a meeting of a few bank representatives. Today its membership includes trust companies, national banks, state banks, and savings banks to the number of more than 23,000.

The record of achievement of the Association is one which reflects the high importance of the service rendered by the banking institutions of the United States.

They have taken a leading part in giving constructive thought and effort to our business problems.

They have rendered indispensable aid in the development of our national resources, our industry, and our commerce.

They served the country with patriotic devotion and signal success in the emergency of war.

The Association holds its 48th Annual Convention at a time when many economic questions—national and international—press for consideration in the light of the nation's highest and broadest interest.

The City of New York and its financial institutions extend a cordial welcome to the bankers of America.

## Guaranty Trust Company of New York



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### AMPLIFIERS TO SPREAD BANK SPEAKERS' VOICES

Devices Installed in Hotel Commodore Ball Room.

Every speaker at the convention of the American Bankers Association, whether his voice is of the booming variety or thin and feeble, will have no difficulty in making himself heard in every part of the convention hall.

Workmen were busy yesterday installing amplifiers on the platforms of the grand ball room of the Hotel Commodore, where will be the larger meetings. The amplifier receives the voice near the speaker and by electrical means multiplies its intensity and then reproduces it simultaneously in different parts of the hall through trumpets.

President Harding, speaking last year at the Armistice Day ceremonies in the Memorial Theater at Arlington, was heard by more than 100,000 persons, only a few of whom could have heard him if his platform had not been equipped with amplifiers.

### MORRIS PLAN MEN TO MEET.

Eighty annual convention will open next Monday.

Financiers from almost 100 cities will gather here for these days beginning October 9 to attend the eighth annual convention of the Morris Plan Bankers Association.

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